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DEPARTMENT FOR EUR/SE

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SUBJECT: FATE OF "RULING" TURKISH CYPRIOT PARTY DEPENDS ON
NEGOTIATIONS

REF: NICOSIA 980

Classified By: Classified by Ambassador Ronald Schlicher, Reasons 1.4 (a) and 1.4 (d)

1.(C) Summary: The fate of the staunchly pro-reunification "ruling" Republican Turkish Party (CTP) increasingly depends on the successful resumption of Cyprus problem negotiations. CTP rose to power by waving a "united Cyprus" banner and remains northern Cyprus,s dominant political force, but barring a successful resumption of talks with Greek Cypriots, the party could revert to minority status, the situation prevailing in the pre-Annan Plan period. CTP insiders worry that rank-and-file Turkish Cypriots are growing increasingly pessimistic - even disinterested -- over the possibility of reaching a federal Cyprus solution, long the party,s raison d'etre. Further damaging CTP,s prospects are the T/C community's deteriorating economy and its own mediocre record on administration. Perhaps sensing the risks inherent in tying the party,s future to the achievement of a federal settlement that by definition requires G/C buy-in, CTP leaders, including "TRNC President" Mehmet Ali Talat, have hinted that other solutions merit consideration, especially if "Greek Cypriot intransigence" dooms another major effort. End Summary.

"NO PLAN B"

12. (C) CTP insiders increasingly tell us that they have no alternative strategy should bi-communal talks remain mired in mutual distrust and recrimination after February 2008 Greek Cypriot presidential elections. Cyprus problem negotiator Ozdil Nami told us that the party is still wedded to a solution along the lines of the Annan Plan (i.e., a bi-zonal, bi-communal federation) and enjoys Turkey,s full support. He added that "we do not have at yet a 'Plan B' if the negotiations go nowhere -- we will be in an awkward position." Asim Akansoy, "President" Talat,s private secretary, was blunter: "Our fate as a 'ruling party' is

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tied to the Cyprus Problem and solving it." Sami Ozuslu, a columnist for the CTP daily "Yeni Duzen" and member of the party's influential central administrative committee, said a "Plan B" was not even being discussed in the party.

13. (C) However, CTP interlocutors complain that the Turkish Cypriot community, despite voting overwhelmingly for the Annan Plan in 2004, has grown skeptical over the possibility of living side-by-side with G/Cs in a federal state. Akansoy claimed that keeping the idea of a solution alive" -a demand

of the international community" -- was growing increasingly difficult, and that "people are getting sick of it." UNFICYP polling conducted in early 2007 supports Akansoy's fear. According to their numbers, 70 percent of T/Cs do not see a solution "in the foreseeable future," while 59 percent find a two-state solution "satisfactory." Only 45 percent agree with "bi-zonal, bi-communal federation" as the preferred settlement model.

"We are administrating poorly"

14. (C) CTP's failed and or belated attempts at structural reform, combined with a deteriorating economy, further exacerbate the party's woes. Muharrem Faiz, a respected pollster, told us that for the first time in his nearly twenty years of polling, Turkish Cypriots' appraisal of successful "governance" depended more on results and services than on shared ideology. If so, CTP is in trouble. "Presidential" spokesman Hasan Ercakica told us flat-out that the party "has been administrating badly" and was unsuccessful in "education, healthcare, etc, etc." Necdet Ergun, an economic columnist and former economic adviser to Talat, was a bit more forgiving: "CTP tried but couldn't do it all." He claimed the "government" was delaying real reform until after the Cyprus Problem is solved.

15. (C) What reforms CTP has managed to enact -- such as changes to social security -- have alienated much of its trade union base. Pollster Faiz told us that 15 percent of CTP voters in 2005 were angry with the party in part because of its "anti-union" activities and would have a hard time voting for CTP again. Soyer admitted that certain party initiatives had hurt the base; Ercakica claimed the CTP had lost its trade union allies. Neither man seemed worried about this development, however.

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"Real Economic Problems"

16. (C) Failure to jump-start negotiations may also spell economic doom for an already wobbly T/C economy, much in the same way the enthusiastic run-up to the Annan Plan helped to trigger a three-year boom. At present, CTP faces an officially projected negative growth of two to three percent in 2007 (Ref A), a contraction in the all-important building sector that has set off a liquidity crisis, and a bloated state payroll and burgeoning 2007 budget deficit rumored to be at least 400 million YTL (around \$325 million). Ergun predicts an economic "crisis" if negotiations, and the expectations of a "better tomorrow" that typically accompany them, do not begin. "If talks don't start, we are going to have real problems," he fretted.

17. (C) A serious economic downturn would also increase an already alarmingly high level of Turkish Cypriot dependence on Ankara, since Turkey is unlikely to leave the T/Cs out in the cold. "Prime Minister" Soyer complained to us that he needed increased financial support from Turkey because of the economic downturn. T/C businessmen worried that, as payback, mainland Turkish business interests would win sweetheart deals, to the islanders, detriment. Ergun noted that Turkey "could clean house" politically in the event that it had to bail out the T/Cs economically, a gloomy prospect for the "ruling" CTP.

Need for a Tack Change?

18. (C) This convergence of political, administrative, and economic negatives has CTP leaders feeling queasy and vulnerable, since another failed negotiation, ala 2004, would prove disastrous for the party. Cyprus Problem Negotiator Nami warned that "we cannot present another plan

to our people that the Greek Cypriots might later reject with impunity." Ozuslu sees the right-wing T/C parties giving CTP a serious political beating in response. To insulate the party from such an outcome, CTP bosses talk openly of an "escape clause" for Turkish Cypriots should the next solution effort fail because of G/C intransigence. Talat on January 21 alluded to a threat "that would hurt Greek Cypriots if they don't accept a solution. The world could stop recognizing them as the only government of Cyprus." Left unsaid was the corollary: some sort of upgraded status for the "TRNC."

Comment

19. (C) Despite its statist instincts and increasingly nationalist rhetoric, CTP is still the international community's best T/C partner in working toward a federal Cyprus solution. It is the sole party in the north that both truly believes in a reunited island and has a "TRNC-wide," well-functioning organization to help deliver it. While pessimism and a two-state fallback plan may be permeating party halls, CTP remains supportive of a bi-zonal bi-communal federal Cyprus along the lines of the 2004 Annan Plan. To illustrate, not a single "TRNC" flag was displayed at the party's December 2007 birthday bash attended by "Prime Minister" Soyer and "President Talat." Rather, massive posters touted "SOLUTION, EQUALITY, FEDERATION," and close by hung an undivided map of Cyprus. But absent the start of real negotiations and barring an economic turn-around (the latter highly unlikely), CTP will, as party insiders forecast, be hard-pressed to stay in command after 2010 "parliamentary" elections, with a fractious coalition preferring partition to reunification waiting in the wings. SCHLICHER